MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015 / 2016 SESSION

DEC5018 – MICROECONOMICS

(Diploma Students Only)

17 OCTOBER 2015
2.30 p.m – 4.30p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 14 pages only excluding the cover page.
2. Answer **ALL** questions for section A, B and C.
3. Answers for section A and B should be shaded on the OMR sheet provided.
4. For section B, shade "**A**" for **TRUE** and shade "**B**" for **FALSE**.
5. For section C, please write your answers in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS (each question carries 1.5 mark). Answers for this section should be shaded on the OMR form.

1. A description of aspects about the world economics that includes only the features that are needed for the purpose at hand is called _____
   A. Economic Model.
   B. Economic Margin.
   C. Economic Hand.
   D. Invisible Hand.

2. The benefit of pursuing an _____ increase in an activity is marginal benefit.
   A. decreasing
   B. shortening
   C. incremental
   D. depreciating

3. The Production Possibilities Frontier (PPF) is the _____
   A. boundary between the combinations of goods and services that can be produced and the goods and services that are cannot be produced.
   B. boundary from those combinations of goods and services that can be produced and ends with those that cannot.
   C. length between those combinations of goods and services that can be produced and those that had already been produced.
   D. height between those combinations of goods and services that cannot be produced and those that is producing.

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4. According to the Production Possibilities Frontier (PPF) in Figure 1, which of the point that shows efficient production?

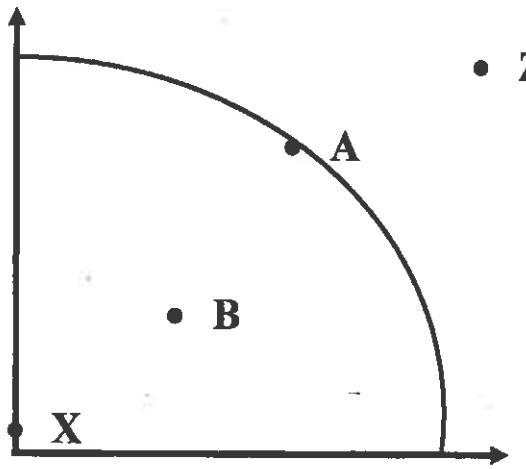

Figure 1: Production Possibilities Frontier

A. A
B. B
C. Z
D. X

5. Which of the following is **NOT** a factor that can caused changes in demand?
   A. Technology
   B. Income
   C. Population
   D. Preferences

6. A demand curve_____

   A. shows the relationship between the quantity supplied of a good and its price when all other influences on consumers' planned purchases remain the same.
   B. shows the relationship between the quantity supplied of a good and its price when all other influences on suppliers' planned selling remain the same.
   C. shows the relationship between the quantity demanded of a good and its price when all other influences on consumers' planned purchases remain the same.
   D. shows the relationship between the quantity demanded of a good and its price when all other influences on suppliers' planned selling remain the same.

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7. Based on the Figure 2, if a good have a _____ demand, the demand curve is _____

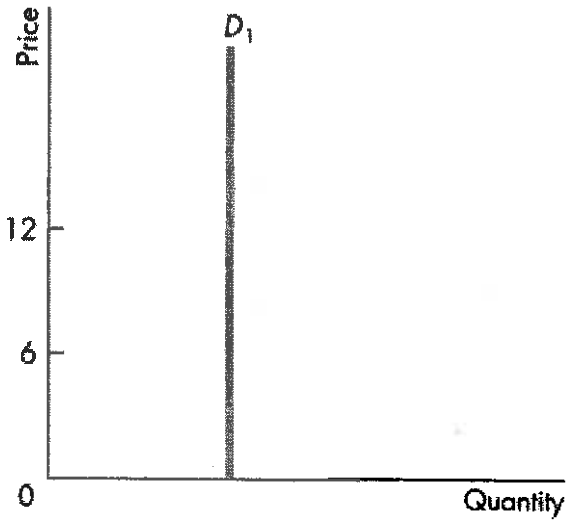

Figure 2: Price Elasticity of Demand Curve

A. perfectly elastic, vertical.
B. perfectly inelastic, vertical.
C. elastic, horizontal.
D. inelastic, horizontal.

8. Calculate the price elasticity for good X if the price falls from RM100 to RM60 and the quantity demanded increases from 10 to 30 units.
A. 1
B. 2
C. 3
D. 4

9. Total utility is _____
A. the total benefit a person gets from producing a goods.
B. the total benefit a person gets from the consumption of goods.
C. the total cost a person gets from marketing the goods.
D. the total cost a person gets from producing a goods.

Continued.....

10. Table 1 shows the Utility Maximizing Choice for Raja, what is the combination of Sandwiches and Coffee that give Raja a consumer equilibrium?

Combination	Raja's Utility-Maximizing Choice				
	Sandwiches		Total utility from movies and soda	Coffee	
	Quantity (per month)	Total utility		Total utility	Cup (per month)
A	0	0	260	260	10
B	2	90	315	225	6
C	4	150	273	123	2
D	6	176	176	0	0

Table 1

A. A
B. B
C. C
D. D

11. If Y is the total income, what is the budget equation if Rosli have RM50 to spend on ice cream and cola if the price are RM2 for one ice cream and RM4 for a can of cola?
A. RM2(10) + RM4(2) = Y
B. RM2(20) + RM4(5) = Y
C. RM2(15) + RM4(5) = Y
D. RM2(19) + RM4(3) = Y

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12. Based on the Figure 3, what is factor that leads to a parallel shift of the budget line?

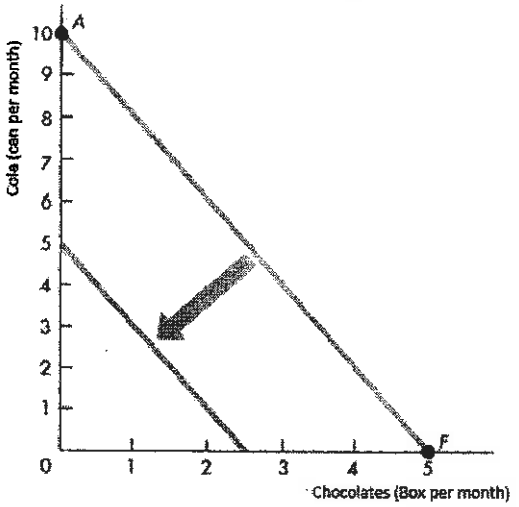

Figure 3

A. Increase in income
B. Decrease in income
C. Increase in cost
D. Decrease in cost

13. A firm's profit is limited by all of the followings features of the environment, **EXCEPT** _____
A. technology constraints.
B. information constraints.
C. market constraints.
D. energy constraints.

14. The advantages of forming a corporation in business organization are:

I. Limited liability for its owners
II. Are easy to set up
III. Managerial decision making is simple
IV. Professional management

A. I, II and III
B. II and III
C. III and IV
D. I and IV

Continued.....

15. In the long run, as output increases, it will lead to the falling of the long-run average cost. This condition is called _____
    A. economies of scale.
    B. diseconomies of scale.
    C. constant return to scale.
    D. marginal return to scale.

16. The figure 4 shows the production of shoes per labor in a shoe factory. Based on the figure, the factory is said to experienced _____

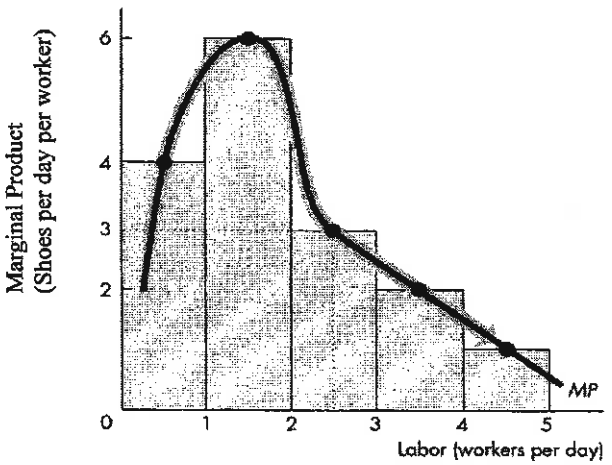

Figure 4

    A. diminishing marginal returns.
    B. increasing cost returns.
    C. decreasing marginal cost.
    D. increasing marginal revenue.

17. Below are amongst the four factors of production, **EXCEPT**:

    I. Labor
    II. Plants and machines
    III. Land (natural resources)
    IV. Money

    A. I, III and IV
    B. II, III and IV
    C. III and IV
    D. IV only.

Continued.....

18. Table 2 below shows the production of watches in a factory; calculate the marginal product of labor from C to D.

	Quantity of Labor (L) (workers)	Total Product (TP) (watch per hour)
A	0	0
B	1	7
C	2	13
D	3	18
E	4	22
F	5	25

Table 2

A. 3
B. 4
C. 5
D. 6

19. Which of the following is an example of a perfectly competitive firm in Malaysia?
A. a butcher in the Malaysia.
B. Astro.
C. Proton.
D. The News Straits Times.

Continued.....

20. Based on the figure 5, at which point that a firm will make an economic profit in a perfect competition market?

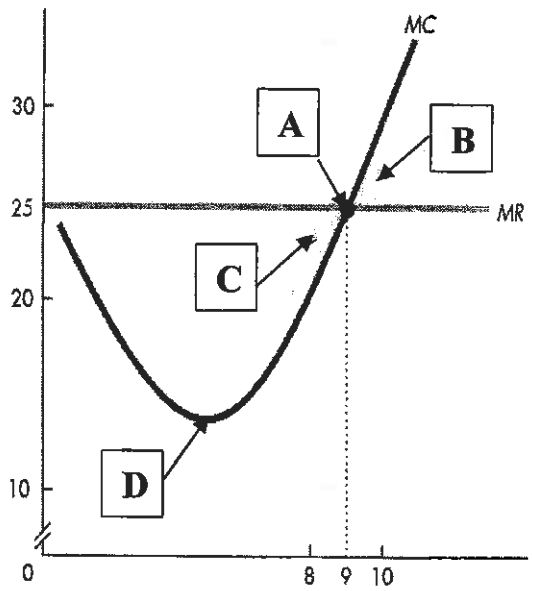

Figure 5

A. Point A
B. Point A and Point B
C. Point B and Point C
D. Point D

21. The short-run market supply curve shows _____
A. the quantity demanded by all firms in the market at each price when each firm's plant and the number of firms remain the same.
B. the quantity supplied by all firms in the market at each price when each firm's plant and the number of firms remain the same.
C. the quantity demanded by all firms in the market at each price when each firm's plant and the number of firms change over time.
D. the quantity supplied by all firms in the market at each price when each firm's plant and the number of firms change over time.

Continued.....

22. If Malaysian electrical supply industry is a monopoly market, what are the types of barriers to entry that a potential rivalry may face to enter the market?

I. Natural
II. Ownership
III. Geographic
IV. Patent or License

A. I, II and IV
B. I, III and IV
C. I and II
D. I and III

23. Based on the figure 6, choose the point that shows a monopoly's gain.

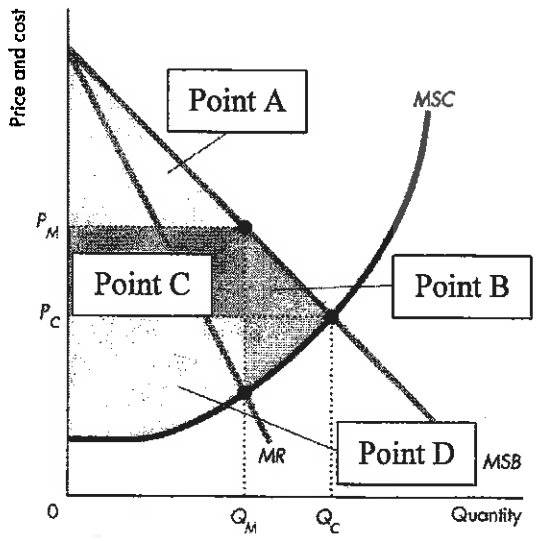

Figure 6

A. Point A
B. Point B
C. Point C
D. Point D

Continued.....

24. Based on the figure 7, suppose the monopoly firm sets a price of RM20 and sells 4 units. Calculate the total revenue loss (TRL) if the firm cuts the price to RM18 to sell 6 units.

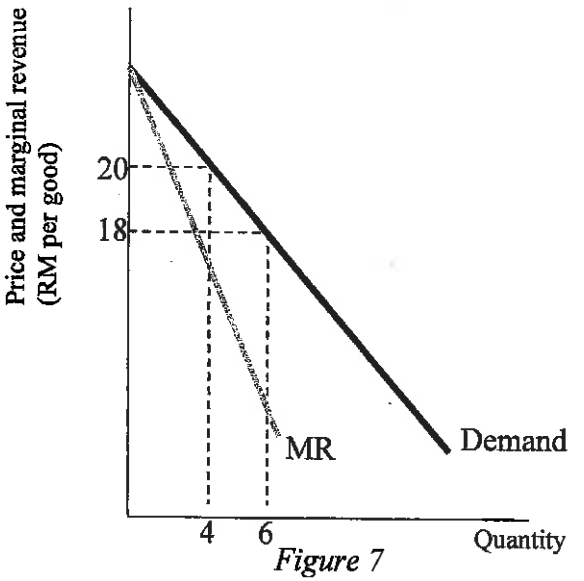

Figure 7

A. TRL = RM 7
B. TRL = RM 8
C. TRL = RM 9
D. TRL = RM10

25. In the long run, a firm in monopolistic competition maximizes its profit by producing the quantity at which its _____
A. marginal revenue equals its marginal cost, *MR = MC*.
B. marginal revenue exceed its marginal cost, MR > MC.
C. marginal revenue lesser than its marginal cost, MR < MC.
D. marginal revenue double than its marginal cost, MR = 2MC.

26. The differences between monopolistic competition and perfect competition are:

I. Legal and politics
II. Excess capacity
III. Market rivalry
IV. Markup

A. I and II
B. II and III
C. II and IV
D. III and IV

Continued.....

27. What is a barrier to entry?
    A. A natural or legal impediment that makes it difficult for new firms to enter a market.
    B. A necessary condition for perfect competition market.
    C. The result of high elastic demand.
    D. A brick wall that a firm places around its corporate headquarters.

28. What is a duopoly?
    A. A market in which there are only two buyers that demands.
    B. A market in which there are only two buyers within two regions.
    C. A market in which there are only two producers selling unrelated products.
    D. A market in which there are only two producers that compete.

29. A collusive agreement is an agreement between two (or more) firms to restrict output, raise the price, and increase profits. What are the strategies that firms in a cartel can pursue for competition?

    I. Both comply.
    II. Both cheat.
    III. Trick complies and Gear cheats.
    IV. Gear complies and Trick cheats.

    A. I and II
    B. I, II and III
    C. I, II, III and IV
    D. I only

30. Below are example of company in oligopoly market, **EXCEPT**
    A. Celcom
    B. AirAsia
    C. Petronas
    D. McDonald's

[TOTAL 45 MARKS]

Continued.....

SECTION B: TRUE/FALSE QUESTIONS (each question consists of 1 mark).
Answers for this section should be shaded on the OMR form.
Shade "A" for the TRUE statement and "B" for the FALSE statement.

31. Scarcity affects only those who are in need.

32. A country has a comparative advantage in the production of a good if its opportunity cost is lower compared to another country.

33. For consumers, almond cookies and doughnuts are substitutes. So, an increase in the price of almond cookies will lead to a rightward shift in the demand curve for doughnuts.

34. If the demand for McD chicken is price elastic, a fall in the price of McD chicken will raise the total revenue.

35. A decrease in price allows a consumer to attain a higher indifference curve.

36. Proprietorships generally have unlimited liability, whereas partnerships and corporations have limited liability.

37. In the long run, total fixed cost equals zero.

38. In the prisoners' dilemma game, each player has only one possible strategy.

39. A monopoly always operates on the elastic portion of its demand curve.

40. Excess capacity refers to any unsold output due to insufficient demand.

[TOTAL 10 MARKS]

Continued.....

SECTION C: STRUCTURED QUESTIONS (45 MARKS)

Answer ALL questions. Answers should be written on the answer booklet provided.

QUESTION 1

a) List **five (5)** factors that change supply and shift the supply curve. (5 marks)

b) Explain what happens to supply and the supply curve when there is:

I. An advance in technology (2.5 marks)

II. An increase in the price of a substitute in production. (2.5 marks)

[Total 10 Marks]

QUESTION 2

Briefly explain **four (4)** types of markets. (10 marks)

[Total 10 Marks]

QUESTION 3

a) What is an indifference curve? (2 marks)

b) Draw and explain the indifference curve with example for:

i. Perfect complements (4 marks)

ii. Perfect substitutes (4 marks)

[Total 10 Marks]

Continued.....

QUESTION 4

Quantity (gallons per day)	Total cost (RM per day)
0	500
100	713
200	800
300	838
400	900
500	1,063

Exhibit 1

Jenny's Farm produces and sells milk. The market for milk is perfectly competitive. The market price of milk is RM2.50 per gallon. The relationship between the farm's output and total costs is shown in ***Exhibit 1***.

a) Calculate Jenny's average total cost (ATC) average variable cost (AVC), and marginal cost (MC). (9 marks)

b) Plot the graph of average total cost (ATC), average variable cost (AVC), and marginal cost curve (MC). (6 marks)

[Total 15 Marks]

[TOTAL 45 MARKS]

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